

USAID Nigeria Budget Process Support Project
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Quarterly Report: July - September 2004

Submitted by:

Development Alternatives Inc.

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USAID-Nigeria Budget Process Support Project

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Executive Summary

- ❑ To support the government's increasing interest in the non-oil sector, the Budget Process Support (BPS) Project held a workshop on non-oil revenue projection.
- ❑ In August 2004, the Ministry of Finance released the Call Circular for the 2005 Budget*. It is the mechanism for Ministries, Departments, and Agencies (MDAs) to provide inputs into the budget process. It introduces the Medium Term Expenditure Plan (MTEP; 2005-2007), takes a commendable step, and represents a sea-change in fiscal management. The MTEP supports the priorities of the National Economic Empowerment and Development Strategy (NEEDS) and the Due Process.

Expenditure management by Relationship Managers of the Budget Office of the Federation (BOF) – a new concept, careful planning of resource needs, and incentives to augment capital budgets through savings in recurrent budget are some of the features of the plan. Sound expenditure management is expected to reduce the deficit from 1.7% of Gross Domestic Product (GDP) in 2005 to 0.6% of GDP in 2007¹.
- ❑ The Budget Office of the Federation (BOF) held a workshop to review the medium-term budget process including the new chart of accounts². The Chief of Party/Senior Budget Advisor presented a paper on MTEP and a model for projecting medium-term expenditures.
- ❑ As part of consultation sessions, the BOF held a discussion with the education sector*. The institutions were urged to minimize government support, curb expenditures, initiate audits, appoint independent boards, seek revenue-raising measures (e.g., private sector partnership, fees for consulting/research), raise fees to reflect market realities, and explore avenues to be centers of excellence in West Africa.
- ❑ At the request of United Nations Development Fund for Women (UNIFEM), the Chief of Party/Senior Budget Advisor presented a paper at the launching of Nigeria Gender Budget Network, supported by the Canadian International Development Agency, in collaboration with the Center for Democracy and Development. The network is expected to establish a secretariat, prepare its constitution, support advocacy, acquire budget-tracking capacity, work with lawmakers, and initially focus on the health sector. About 35 NGOs and civil society groups are involved in the network.
- ❑ Budget Monitoring and Price Intelligence Unit (BMPIU) continued with its communication strategy, designed to generate greater awareness of the Due Process.
- ❑ Work continued with the preparation of training syllabus for macroeconomics and budgeting for the BOF staff.

* These are not direct activities of the BPS Project.

¹ See also separate analysis prepared by the BPS Project office.

² In April 2004, the BPS Project held a workshop on the new chart of accounts with selected staff of the BOF, the Office of the Accountant General and almost all line ministries and agencies. The participants were confident with implementation of the accounts. The evaluation of the workshop confirmed its value and effectiveness. The Project office produced and disseminated a user guide.

Activity Objectives

In August 2002, USAID/Nigeria awarded Development Alternatives, Inc. (DAI) a Task Order under the SEGIR: Economic Policy Indefinite Quantity Contract to implement the “Technical Assistance in Budget Process Support Project.” The Project’s anticipated completion date is March 2005.

The BPS project assists two agencies of the Federal Government of the Republic of Nigeria that are essential to the national budgetary process -- the Budget Office of the Federation (BOF) in the Ministry of Finance, and the Budget Monitoring and Price Intelligence Unit (BMPIU) of the Office of the President. The BOF is the principal agency responsible for the Federal budget. The BMPIU is mandated to ensure accountability and probity for the Due Process of Federal procurement and contracts. A senior long-term technical advisor, who is also the Chief of Party (COP), and short-term technical advisors are working to enhance the government's capacity to develop, implement, coordinate, and monitor the national budgetary process, and support the BMPIU’s activities.

Quarter Progress

Budget Office of the Federation

- ❑ **Non-oil Revenue Projection Model:** The non-oil sector is gaining increased attention as the sector is believed to have strong prospects. According to NEEDS, the non-oil export earnings are expected to grow from less than 5 percent of total exports in 2003 to more than 10 percent in 2007. To support this objective, the (BPS) Project held a workshop (July 12-14) on non-oil revenue projection. It allows simple projection and answers policy questions. The model and the user guide was made available to various agencies. Participants agreed that the workshop was a useful exercise.

Participants of the workshop were from the BOF, the Ministry of Finance, the Federal Office of Statistics, the National Planning Commission, Central Bank of Nigeria, the Accountant General of the Federation, Federal Inland Revenue Agency, and Customs.

- ❑ **Call Circular:** In August 2004, the Ministry of Finance released the Call Circular for the 2005 Budget. The Circular is the mechanism for Ministries, Departments, and Agencies (MDAs) to provide inputs into the budget process. It introduces the Medium Term Expenditure Plan (MTEP; 2005-2007), takes a commendable step, and represents a sea-change in fiscal management. It is based upon improving public expenditure management through greater transparency, accountability, stability, fairness, and efficiency. The MTEP supports the priorities of NEEDS and the Due Process.

Expenditure management by Relationship Managers of the Budget Office of the Federation (BOF) – a new concept, careful planning of resource needs, and incentives to augment capital budgets through savings in recurrent budget are some of the features of the plan. The deficit is expected to decline from 1.7% of Gross Domestic Product (GDP) in 2005 to 0.6% of GDP in 2007.

Comments:

MTEP is a proven concept in public expenditure management but it is indeed new in the Nigerian fiscal arena. In addition, since the budgets of 2005-2007 would be the vehicles to implement NEEDS, the following observations are offered:

- Introduce an early budget calendar.
- Enhance capacities of the line ministries to improve and support multi-year budgeting.
- Continue with the Due Process but intensify capacity building and awareness within ministries.
- Intensify the role of Relationship Managers.
- Introduce benchmarking of performance standards.
- Encourage and oblige ministries to maintain and release data.

- ❑ **Budget Office Workshop on MTEP:** The Budget Office of the Federation (BOF) held a workshop (July 22-24) to review the 2005 Fiscal Strategy, announce the medium-term budget process, examine the new chart of accounts, and introduce the role of Relationship Managers, responsible for revenue and expenditure management. The Chief of Party/Senior Budget Advisor presented a paper on MTEP and a model for projecting expenditures over the medium-term.
- ❑ **Interactive Session with the Education Sector:** The BOF has held consultative sessions with the private sector, the civil society, and line ministries regarding budget reform. On July 8, the session with the education sector that marked yet another important step in expenditure management. The institutions were encouraged to reduce the largesse from the government, curb expenditures, initiate audits, appoint independent boards, commence revenue-raising measures (e.g., private sector partnership, fees for consulting/research), raise fees to reflect market realities, and explore avenues to be centers of excellence in West Africa.
- ❑ **Assistance with tenders:** At the request of the DG-Budget, the Chief of Party/Senior Budget Advisor participated in the selection process of tenders on accounting and customer service, advertised through newspapers.³
- ❑ **Macroeconomic Training Module:** Work continued with the preparation of training syllabus for macroeconomics and budgeting for the BOF staff.

Budget Monitoring and Price Intelligence Unit

- ❑ **Budget Monitoring and Price Intelligence Unit (BMPIU):** The BMPIU continued with its communication strategy. It is designed to generate and sustain greater awareness of the Due Process.

The communication strategy, prepared in June 2004, by a visiting expert (BPS), has been realigned. The table below shows the restructuring of the strategy and the budget.

³ The DG-Budget has requested the BPS Project to deliver the course on macroeconomics and budgeting; see below – Problems and Opportunities/Upcoming Events.

Communication Strategy: Budget Monitoring and Price Intelligence Unit

Activity	Activities and Budget		Spent & Pipeline
	Sep 2004	June 2004	
Media relations	N2 M	N0.98 M	N239,184 – spent
Government relations	-	N0.40 M	-
Public relations	N1 M	N3.90 M	-
Advertising/marketing (e.g. Economist)	-	N2.02 M	-
		+	
		\$10,000	
Public enlightenment	N4 M	-	N600,920 - spent N720,000 – pipeline*
Website development	\$19,000	\$19,000	-
<u>Monitoring & Evaluation</u>	<u>\$20,000</u>	<u>\$20,000</u>	-
Total – Naira only	N7 M	N7.3 M	N1,560,104
Initial balance – June	N7,300,000		
Add: \$10,000 (Advertisement)	1,320,000		
<u>Deduct: Spent & Pipeline</u>	<u>1,560,104</u>		
Total Available in Naira	7,059,896		

Figures represent approximated amounts.

Other

- **Gender budgeting:** At the request of United Nations Development Fund for Women (UNIFEM), the Chief of Party/Senior Budget Advisor presented a paper at the launching of Nigeria Gender Budget Network, supported by the Canadian International Development Agency, in collaboration with the Center for Democracy and Development. The network is expected to establish a secretariat and prepare its constitution. The group will support advocacy, acquire budget-tracking capacity, work with lawmakers, and initially focus on the health sector. Various government agencies participated in the session. About 35 NGOs and civil society groups are involved in the network.

Gender-budget initiative (GBI) is increasingly gaining importance as a tool to support the role of women and promote the resources for women. GBI addresses the huge gaps that prevail among women in developing countries. GBI is about improving governance.

- Some 40 countries (2003) worldwide have pursued this initiative. Its central purpose is to break down the government's budget and analyze how it responds to the differentiated needs of and impacts on women, men, girls, and boys. As such, it can make significant contributions in equity, equality, and the realization of women's rights. GBIs distinguish between gender-sensitive budget analysis and the formulation of gender-sensitive budgets. The ultimate objective of GBIs is the latter, i.e. to support the achievement of a gender-sensitive allocation of resources. Researchers have developed various tools and indices in gender-responsive budget analysis⁴.

⁴ Natasha Borges Sugiyama, *Gendered Budget Work in the Americas: Selected Country Experiences*, University of Texas at Austin, October 2002

- *Gender-aware policy appraisal* evaluates the ways policies and resource allocations reduce or increase gender inequality.
- *Beneficiary Assessments* assesses the degree to which budgets address the needs of beneficiaries.
- *Gender-disaggregated expenditure* estimates the distribution of resources among males and females.
- *Gender-aware medium-term policy* is used to assess the impact of economic policies on women from fiscal, monetary, and economic policies designed to reduce poverty.
- *Gender-responsive budget* uses some of the tools above. The budget reviews the inequalities such as share of expenditures targeted to women and share of government jobs.
- *Gender-aware policy appraisal* evaluates the ways policies and resource allocations reduce or increase gender inequality.

- ❑ **Visiting members:** A macroeconomist completed a tour and assisted with the non-oil revenue model.

Project Changes

- ❑ As planned in the workplan, an economist joined the Project.
- ❑ The activities and the budget of the BMPIU's communication strategy was realigned.

Impact on Intermediate Result

Strategic Objective 12.4: GON economic policy formulation process improved: The Project's goals are beginning to yield results in improving the policy environment. These include commitment by the BOF to adopt the revised chart of accounts, engage in wide consultation for the budget process, undertake wide-ranging consultation/discussion that promotes transparency, and introduce a multi-year budgeting – a first-ever initiative to pave the way for the MTEP.

Problems and Opportunities/Upcoming Events

Problems and opportunities

The project faces various challenges as well as opportunities. A few are outlined below:

- ❑ The DG-Budget has requested the Project office to provide training to the core staff of the BOF in macroeconomics and budgeting. While this demonstrates the DG's confidence, it also calls for considerable effort and intense activities of the Project.
- ❑ The Macroeconomic Working Group will continue to need assistance to make a positive impact on the budget process.

- ❑ Liaison with other USAID Implementing Partners will support cross-cutting objectives.
- ❑ The BPS project is well positioned to make a positive difference in improving the budgetary process and support the Government in its economic reform initiatives.

Upcoming Events

The project will evolve with the priorities of the Government. Future activities include assistance in the following areas:

- ❑ Continue to support the Macroeconomic Working Group, the BOF and other agencies.
- ❑ Explore off-site training for the Macroeconomic Working Group.
- ❑ Engage an expert to focus on the non-oil revenue sector and a macroeconomic model.
- ❑ IT assessment for the BOF (dependent upon the timing of the beneficiary agencies).
- ❑ Release letter of offer for tendering website developments for the BOF and the BMPIU.

TraiNet⁵

- ❑ Weekly training in the area of macroeconomic training continued.
- ❑ A workshop on non-oil revenue model was held in July.

⁵ The Project office has submitted detailed information in this category to USAID.